

AMENDED IN SENATE JUNE 23, 1997
AMENDED IN ASSEMBLY APRIL 7, 1997

CALIFORNIA LEGISLATURE—1997–98 REGULAR SESSION

ASSEMBLY BILL

No. 331

Introduced by Assembly Member Figueroa

February 18, 1997

An act to amend Section 10089.8 of the Insurance Code, relating to insurance.

LEGISLATIVE COUNSEL'S DIGEST

AB 331, as amended, Figueroa. California Earthquake Authority.

Existing law provides for creation of the California Earthquake Authority, which is authorized to transact insurance for the purpose of selling policies of basic residential earthquake insurance, as specified. Existing law requires the authority to operate pursuant to a written plan of operations, which shall establish in detail the policies and procedures of the authority on various matters, including methods of premium collection.

This bill would require the plan of operations to include provisions that establish a mechanism for policyholders to make ~~periodic~~ *installment* payments of the annual premium paid to the authority for earthquake coverage. The authority would be authorized to charge a nominal fee to policyholders who opt to make ~~periodic~~ *installment* payments, as specified.

Vote: majority. Appropriation: no. Fiscal committee: yes.
State-mandated local program: no.

The people of the State of California do enact as follows:

1 SECTION 1. Section 10089.8 of the Insurance Code is
2 amended to read:

3 10089.8. (a) The authority shall operate pursuant to
4 a written plan of operations. The panel shall submit a plan
5 to the board for approval. If it approves the plan, the
6 board shall submit the plan to the commissioner for his or
7 her approval. On receiving the commissioner's approval,
8 the board shall formally adopt the plan and submit the
9 plan to the Legislature. Upon commencement of the
10 issuance of insurance policies by the authority, any
11 subsequent amendments to the plan of operation shall be
12 approved by the board and the commissioner.

13 (b) If at any time the commissioner disapproves the
14 submitted plan or any plan amendments adopted by the
15 board, the board may within 15 days submit changes in
16 the plan to the commissioner. If the commissioner
17 disapproves the plan or the changes in the plan, or if the
18 board fails to submit a plan or to make and submit the
19 requested changes, the commissioner may require the
20 board to adopt that plan or those changes directed by the
21 commissioner.

22 (c) The plan of operations shall establish in detail the
23 policies and procedures of the authority, including, but
24 not limited to, financial operations of the authority, claims
25 procedures, methods of premium collection, procedures
26 consistent with constitutional, statutory, and common
27 law requirements for resolving grievances of applicants
28 or policyholders who are dissatisfied with application
29 handling or adverse claims decisions, whether by the
30 authority or by a ~~servicing~~ *participating* insurer,
31 assessment procedures, a plan for resolution of
32 assessment disputes between the authority and insureds,
33 grievances between the authority and participating
34 ~~carriers, servicing-carrier~~ *insurers, participating insurer*

1 fees and expenses, reasonable underwriting standards,
2 and producer compensation.

3 (d) The plan of operations shall include provisions that
4 establish a mechanism for policyholders to make ~~periodic~~
5 *installment* payments of the annual premium paid for
6 coverage by the authority. The authority shall make the
7 ~~periodic installment~~ payment option available to all
8 policyholders who elect to purchase coverage from the
9 authority. The authority may charge a nominal fee to
10 policyholders who opt to make ~~periodic installment~~
11 payments. The fee shall not exceed the minimum amount
12 necessary to cover the costs of administering the ~~periodic~~
13 *installment* payment option incurred by the authority
14 and the ~~servicing participating~~ insurer and shall not
15 include any interest or finance charge. The authority ~~may~~
16 *shall* not require a ~~servicing participating~~ insurer, in the
17 case of a policyholder who opts to make ~~periodic~~
18 *installment* payments as provided in this subdivision, to
19 ~~remit the full annual premium to the authority before the~~
20 ~~full annual premium is collected by the servicing insurer.~~
21 *any portion of the annual premium to the authority*
22 *before that amount of the annual premium is collected by*
23 *the participating insurer. The authority shall consult with*
24 *participating insurers in establishing or amending the*
25 *provisions of the plan of operations that govern the*
26 *installment payment option.*

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